

AGENDA — March 14, 2000 Business Taxes Committee Meeting
Application of Tax to Transactions by Architects and Others (Regulation 1506)

Action 1 — Consent Items 1. Add subdivision 1506 (a)(1) Licensed Architects – in General 2. Add subdivision 1506 (a)(2) Licensed Architects – “Licensed Architect” 3. Add subdivision 1506 (a)(3) – Licensed Architects – Architectural Perspectivists and Modelers 4. Add subdivision 1506 (a)(4) – Licensed Architects 5. Technical revisions	Adopt proposed amendments as agreed upon by industry and staff.
Action 2 — Authorization to Publish	Direct the publication of the proposed amendments to Regulation 1506 as adopted in the above action. Operative Date: None Implementation: Upon OAL approval

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AGENDA — March 14, 2000 Business Taxes Committee Meeting
Application of Tax to Transactions by Architects and Others (Regulation 1506)

Action Item	Staff and Industry's Proposed Regulatory Language
Action 1 — Consent Items (cont.)	
3. Add subdivision 1506 (a)(3) – Licensed Architects – Architectural Perspectivists and Modelers Exhibit 2, Page 2	<u>(3) Architectural Perspectivists and Modelers. Architectural perspectivists do not act as “licensed architects.” Architectural perspectivists are the retailers of renderings, prints and drawings they provide to architects or other consumers and tax applies to their entire charge for such items. Modelers do not act as “licensed architects.” Modelers are the retailers of models they provide to architects or other consumers, and tax applies to their entire charge for such items.</u>
4. Add subdivision 1506 (a)(4) – Licensed Architects Exhibit 2, Page 3	<u>(4) Licensed architects who produce renderings, prints, drawings or models pursuant to a contract that includes professional architectural services are not retailers of the renderings, prints, drawings or models they provide pursuant to that contract for architectural services. Tax does not apply to their charge for such items.</u>
5. Technical revisions Exhibit 2, Pages 3-4	<p>(ab) Barbers, Beauty Shop Operators, Shoe Polishers, Launderers and Cleaners.</p> <p>(bc) Circulating Libraries.</p> <p>(ed) Dentists and Dental Laboratories.</p> <p>(de) Gun Clubs.</p> <p>(ef) Licensed Hearing Aid Dispensers.</p> <p>(fg) Summer Camps.</p> <p>(gh) Taxidermists.</p> <p>(hi) Licensed Veterinarians.</p>

AGENDA — March 14, 2000 Business Taxes Committee Meeting
Application of Tax to Transactions by Architects and Others (Regulation 1506)

Action Item	Staff and Industry's Proposed Regulatory Language
Action 1 — Consent Items (cont.) 5. Technical revisions (cont.) Exhibit 2, Pages 3-4	 (hi) Licensed Veterinarians. (2) Application of Tax. (A) 1. e <u>O</u> perative April 1,1996, (hi) Licensed Veterinarians. (2) Application of Tax. (A) 2. e <u>O</u> perative April 1, 1996,

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- ☐ Board Meeting
- ☒ Business Taxes Committee
- ☐ Customer Services and Administrative Efficiency Committee
- ☐ Legislative Committee
- ☐ Property Tax Committee
- ☐ Other

APPLICATION OF TAX TO TRANSACTIONS BY ARCHITECTS AND OTHERS

REGULATION 1506, *MISCELLANEOUS SERVICE ENTERPRISES*

I. Issue

Should Regulation 1506, *Miscellaneous Service Enterprises*, be amended to clarify the application of tax to transactions by architects and others?

II. Staff Recommendation

Staff recommends that Regulation 1506 be amended as proposed by staff and industry to add new subdivision (a) *Licensed Architects*. Subdivision (a) will explain that, in general, fees paid to licensed architects for their ability to design, conceive or communicate ideas, concepts, designs, and specifications are not subject to tax, and that the licensed architect is the consumer of any tangible personal property used or transferred in the performance of professional services. However, if after the completion of the contract or commission the licensed architect provides additional copies of the original plans or specifications, or if the architect provides any models or renderings of an existing structure, the architect is regarded as making a sale of such copies, models or renderings. Subdivision (a) will also define “licensed architect” by reference to Business and Professions Code Chapter 3, Division 3, Section 5500, and will state that architectural perspectivists and modelers do not act as “licensed architects.” Architectural perspectivists and modelers are the retailers of property they provide to architects or other consumers. In addition, licensed architects who produce renderings, prints, drawings or models pursuant to a contract that includes professional architectural services are not retailers of the renderings, prints, drawings or models they provide pursuant to that contract for architectural services. Staff recommends no operative date, since the amendments are intended to clarify existing interpretations.

III. Other Alternative(s) Considered

Do not amend Regulation 1506 to clarify the application of tax to transactions by architects and others.

FORMAL ISSUE PAPERIssue Paper Number 00 - 04**IV. Background**

The Board's long established policy considers architects licensed by the Department of Consumer Affairs to be service providers who are consumers of tangible personal property used in providing, or transferred incidental to, their architectural services. An architect's status as a consumer is unaffected by separate itemized charges for renderings, prints, and drawings.

As a result of an appeals case heard by the Board in March 1998, the issue of whether architects resell renderings, prints, drawings and models was raised. In April 1998, staff met with a representative of the American Institute of Architects, who explained that the architect's client contracts for the architect's creative ability to design, conceive, or visualize ideas at a professional level that is evidenced by the education and license requirements specific to the architectural field. Staff also met in April 1998 with a representative of the American Society of Architectural Perspectivists, who explained that most architectural perspectivists are self employed and in the business of providing architectural renderings contracted for by licensed architects or land developers. The representative expressed agreement with staff that the architectural perspectivist's activities represent sales of tangible personal property.

The results of staff's discussions with industry were presented at the June 23, 1998 Business Taxes Committee meeting. The Committee approved the staff recommendation to draft clarifying language for Regulation 1506 in regard to architects and architectural perspectivists. Accordingly, on November 18, 1998, the Board submitted proposed amendments to Regulation 1506 to the Office of Administrative Law (OAL).

The amendments to Regulation 1506 were submitted as "changes without regulatory effect" pursuant to Section 100 of Title 1 of the California Code of Regulations, which provides that "an agency may add to, revise or delete text published in the California Code of Regulations without complying with the rulemaking procedure specified in Article 5 of the [Administrative Procedures Act] only if the change does not materially alter any requirement, right, responsibility, condition, prescription or other regulatory element of any California Code of Regulations provision." On January 5, 1999, the OAL disapproved the Board's amendments, stating that "[a]lthough portions of the proposed text come from statute and may be added as 'changes without regulatory effect', the addition of language regarding the application of tax to services provided by licensed architects is an interpretation and application of the sales and use tax law. It is an expansion of the regulation of miscellaneous service enterprises."

Staff recommends that the amendments proposed in November 1998 for Regulation 1506 be expanded for additional clarity, and subdivision (a)(3) be added to explain the application of tax to transactions by architectural perspectivists and others. This matter is scheduled for discussion at the March 14, 2000 Business Taxes Committee meeting.

Mr. Kurt T. Cooknick of The American Institute of Architects, California Council (hereafter AIACC) participated in discussions of this matter prior to the June 23, 1998 Business Taxes Committee meeting. In his September 28, 1999 letter, Mr. Cooknick confirmed that AIACC had not changed its support of the amendments to Regulation 1506 proposed by staff at the June 23, 1998 Business Taxes Committee meeting. Mr. Cooknick also participated in meetings with

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interested parties on November 23, 1999 and February 14, 2000 regarding staff's recommended amendments to Regulation 1506.

History of Regulations 1501, *Services Enterprises Generally*, and 1506, *Miscellaneous Service Enterprises*

Regulations 1501 and 1506 interpret Revenue and Taxation Code (RTC) sections 6006, 6007, and 6015. Section 6006(a) defines a "sale" as "any transfer of title or possession, exchange, or barter . . . in any manner or by any means whatsoever . . . for consideration." Section 6007 defines a "retail sale" as "a sale for any purpose other than resale in the regular course of business in the form of tangible personal property." Section 6015 defines "retailer" as every seller making "any retail sale or sales of tangible personal property" or "every person engaged in the business of making sales for storage, use or other consumption."

Effective August 1, 1933, a number of rulings established guidance on the non-application of tax to services and service enterprises. Ruling No. 1, *Service Enterprises in General*, was adopted as of January 1, 1945, as a restatement of previous rulings, and was subsequently amended and renumbered Regulation 1901 and then 1501. Ruling Numbers 3, 4, 5, 6, 9, and 10 provided guidance on specific kinds of enterprises. They became Regulations 1903, 1904, 1905, 1906, 1909 and 1910, and were subsequently combined into Regulation 1906, the predecessor of Regulation 1506.

The current Regulations 1501 and 1506 serve the same purpose as their predecessor rulings, which were issued at the dawn of the sales and use tax law era in California. The following underlying concepts regarding "service" are laid out in Regulation 1501, and are applied in Regulation 1506 to a number of specific service enterprises.

Consumers, Not Retailers

"Persons engaged in the business of rendering service are consumers, not retailers, of the tangible personal property which they use incidentally in rendering the service. Tax, accordingly, applies to the sale of the property to them." (Reg. 1501.)

True Object of the Contract

"The basic distinction in determining whether a particular transaction involves a sale of tangible personal property or the transfer of tangible personal property incidental to the performance of a service is one of the true object of the contract; that is, is the real object sought by the buyer, the service per se or the property produced by the service. If the true object of the contract is the service per se, the transaction is not subject to tax even though some tangible personal property is transferred." (Reg. 1501.)

Service As Part of the Sale of Tangible Personal Property

"When a transaction is regarded as a sale of tangible personal property, tax applies to the gross receipts from the furnishing thereof, without any deduction on account of the work, labor, skill, thought, time spent, or other expense of producing the property." (Reg. 1501.)

FORMAL ISSUE PAPERIssue Paper Number 00 - 04**Discussion – Transactions by Architects**

There are approximately 24,000 licensed architects practicing in California. As stated above, the Board's long established policy generally considers architects licensed by the Department of Consumer Affairs to be service providers who are consumers of tangible personal property used in providing their architectural services, including tangible personal property transferred incidental to their service. Their status as consumers is unaffected by separate itemized charges for renderings, prints, and drawings.

If in addition to providing design services, architects regularly sell tangible personal property to consumers, they are retailers with respect to such sales and must obtain seller's permits. For example, if after the completion of the contract or commission the licensed architect provides additional copies of the original plans or specifications, or if the architect provides any models or renderings of an *existing* structure, the true object of that contract is the tangible personal property itself, and not the architect's creative ability to design, conceive, or visualize ideas. If not an occasional sale, such an activity requires the architect to obtain a seller's permit. The architect would be considered a retailer with respect to these transactions, and any others in which the true object of the contract is the transfer of tangible personal property, and would be required to remit sales tax to the state.

Discussion at the November 23, 1999 Interested Parties Meeting

It was agreed that architectural firms would not be excluded from the definition of "licensed architect," since architectural firms are required under the California Business and Professions Code to have a licensed architect as a principal. There was some concern expressed that the definition proposed for 1506 (a), which stresses the requirement for a license, would impose an undue restriction on who could be considered to be providing a service. It was agreed that the license requirement, although useful in providing a bright-line test in the case of licensed architects, would not supercede the more general guidelines provided in Regulation 1501, *Service Enterprises Generally*. Regulation 1501 provides that whether or not a transaction is a service is based on the true object of the contract. That would be the case regardless of whether the contracting entity is a licensed architect or some other type of entity.

There was some discussion concerning an example of a licensed architect who contracts with architectural firms to produce renderings, prints, drawings and models and also provides design consultation services as a part of those contracts. It was agreed that the particular circumstances of the contract should determine the application of tax to the transaction, rather than the mere fact that the individual providing the renderings, prints, drawings and models is a licensed architect. As a result of this discussion, staff revised the proposed amendments to Regulation 1506 to incorporate this concept.

Discussion at the February 14, 2000 Interested Parties Meeting

The main area of discussion concerned the language to be used in proposed subdivision (a)(4) of Regulation 1506. Agreement was reached on the language illustrated in Exhibit 2, *Comparison of Current and Proposed Language*, and Exhibit 3, *Regulation 1506, Miscellaneous Service*

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Enterprises. The intent of this subdivision is to explain that, although a person who is licensed as an architect may be a retailer of renderings, prints, drawings, or models provided to another architect or other client, the architect is not a retailer when the renderings, prints, drawings or models are provided as part of a contract for architectural services.

Discussion - Transactions by Architectural Perspectivists and Modelers

There are approximately 100 architectural perspectivists in California. According to a representative of the American Society of Architectural Perspectivists, most are self-employed and in the business of providing architectural renderings contracted for by licensed architects or land developers. The average cost of a rendering is between \$1,500 and \$5,000, and renderings are primarily used for presentation to the architect's clients or used for marketing purposes (e.g., renderings of house plan elevations). In June 1998, the representative of the American Society of Architectural Perspectivists expressed agreement with staff that the architectural perspectivist's activities represent sales of tangible personal property.

The discussion at the June 23, 1998 Business Taxes Committee meeting centered on the difference in tax application between transactions by licensed architects and architectural perspectivists. The Committee's action was to approve the staff recommendation to draft clarifying language for Regulation 1506 in regard to architects and architectural perspectivists. However, for reasons that are unclear, the proposed language subsequently submitted to the Office of Administrative Law contained no mention of architectural perspectivists. Staff's current proposed language in subdivision (a)(3) seeks to remedy that oversight.

Discussion at the November 23, 1999 Interested Parties Meeting

There was general agreement that architectural perspectivists and modelers are retailers of renderings, prints, drawings and models they provide to architects or other consumers, and tax applies to their entire charge for such items.

V. Staff Recommendation**A. Description of the Staff Recommendation**

Staff recommends amending Regulation 1506, *Miscellaneous Service Enterprises*, to add new subdivision (a) *Licensed Architects*. Staff recommends no operative date, since the amendments are intended to clarify existing interpretations. Recommended provisions of subdivision (a) are:

- In general, fees paid to licensed architects for their ability to design, conceive or communicate ideas, concepts, designs, and specifications are not subject to tax, and the licensed architect is the consumer of any tangible personal property used or transferred in the performance of professional services.
- If after the completion of the contract or commission the licensed architect provides additional copies of the original plans or specifications, or if the architect provides any

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models or renderings of an existing structure, the architect is regarded as making a sale of such copies, models or renderings.

- “Licensed architect” is defined by reference to Business and Professions Code Chapter 3, Division 3, Section 5500.
- Architectural perspectivists and modelers do not act as “licensed architects.” Architectural perspectivists and modelers are the retailers of property they provide to architects or other consumers.
- Licensed architects who produce tangible personal property pursuant to a contract that includes professional architectural services are not retailers of the property they provide pursuant to that contract for architectural services.

Staff also proposes to reletter all current subdivisions to accommodate the new subdivision (a) and to correct two technical errors in subdivision (i)(2)(A) (formerly (h)(2)(A)). The proposed revisions are illustrated in Exhibit 2, *Comparison of Current and Proposed Language*, and Exhibit 3, *Regulation 1506, Miscellaneous Service Enterprises*.

B. Pros of the Staff Recommendation

- Formalizes the Board’s historical interpretation of the application of tax to transactions by architects and others.
- Provides clear guidelines for staff and industry on the application of tax to transactions by architects.
- Provides clear guidelines for staff and industry on the application of tax to transactions by architectural perspectivists and modelers.

C. Cons of the Staff Recommendation

Requires regulatory change.

D. Statutory or Regulatory Change

No statutory change required. However, it does require an amendment to Regulation 1506.

E. Administrative Impact

None.

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F. Fiscal Impact

1. Cost Impact

Costs related to the amendment are absorbable.

2. Revenue Impact

None. See Revenue Estimate, Exhibit 1.

G. Taxpayer/Customer Impact

Proposed amendments to Regulation 1506 will affect architects, architectural firms, architectural perspectivists and modelers. Staff will be required to notify these taxpayers of the clarification.

H. Critical Time Frames

None. Implementation will be upon approval by the Office of Administrative Law.

VI. Alternative 1

A. Description of the Alternative

Do not amend Regulation 1506, *Miscellaneous Service Enterprises*.

B. Pros of the Alternative

Does not require regulatory change.

C. Cons of the Alternative

- Fails to provide guidance for staff and industry on the application of tax to transactions by licensed architects.
- Fails to provide guidance for staff and industry on the application of tax to transactions by architectural perspectivists and modelers.

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D. Statutory or Regulatory Change

No statutory or regulatory change required.

E. Administrative Impact

None.

F. Fiscal Impact

1. Cost Impact

None.

2. Revenue Impact

None. See Revenue Estimate, Exhibit 1.

G. Taxpayer/Customer Impact

Since the architecture profession and related professions will not have clear guidance on the application of tax, there is a greater likelihood that taxpayers will not report tax correctly.

H. Critical Time Frames

None.

Prepared by: Program Planning Division, Sales and Use Tax Department

Current as of: February 28, 2000

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APPLICATION OF TAX TO TRANSACTIONS BY
ARCHITECTS AND OTHERS
REGULATION 1506, *MISCELLANEOUS SERVICE ENTERPRISES*

Staff Recommendation

Staff recommends that Regulation 1506 be amended to add new subdivision (a) *Licensed Architects*. Subdivision (a) will explain that, in general, fees paid to licensed architects for their ability to design, conceive or communicate ideas, concepts, designs, and specifications are not subject to tax, and that the licensed architect is the consumer of any tangible personal property used or transferred in the performance of professional services. However, if after the completion of the contract or commission, the licensed architect provides additional copies of the original plans or specifications, or if the architect provides any models or renderings of an existing structure, the architect is regarded as making a sale of such copies, models or renderings. Subdivision (a) will also define “licensed architect” by reference to Business and Professions Code Chapter 3, Division 3, Section 5500, and will state that architectural perspectivists and modelers do not act as “licensed architects.” Architectural perspectivists and modelers are the retailers of property they provide to architects or other consumers. In addition, licensed architects who produce renderings, prints, drawings or models pursuant to a contract that includes professional architectural services are not retailers of the renderings, prints, drawings or models they provide pursuant to that contract for architectural services.

Alternative 1

Do not amend Regulation 1506 to clarify the application of tax to transactions by architects and others.

Background, Methodology, and Assumptions

There is nothing in the proposed amendments to Regulation 1506 that would impact revenues.

Revenue Summary

The staff recommendation has no revenue effect.

The alternative proposal has no revenue effect.

Revenue Estimate

Preparation

This revenue estimate was prepared by David E. Hayes, Statistics Section, Agency Planning and Research Division. This revenue estimate was reviewed by Ms. Laurie Frost, Chief, Agency Planning and Research Division and Ms. Freda Orendt-Evans, Program Planning Manager, Sales and Use Tax Department. For additional information, please contact Mr. Hayes at (916) 445-0840.

Current as of February 15, 2000

Application of Tax to Transactions by Architects and Others
Regulation 1506, Miscellaneous Service Enterprises
Comparison of Current and Proposed Language

Current as of February 18, 2000

Action Item	Current Regulatory Language	Regulatory Language Proposed by Staff and Industry	Summary Comments
ACTION 1 — CONSENT 1. Add subdivision (a)(1) Licensed Architects - In General	Regulation 1506 <i>No current language. This is a new subdivision.</i>	Regulation 1506 <u>(a) Licensed Architects.</u> <u>(1) In General. Fees paid to licensed architects for their ability to design, conceive or communicate ideas, concepts, designs, and specifications are not subject to tax. Any plans, specifications, renderings or models or other instruments of service provided by a licensed architect under a licensed architect's contract or commission are integral to the licensed architect's services and are not subject to tax. The licensed architect is the consumer of any tangible personal property, including plans, specifications, renderings or models, used or transferred in the performance of professional services notwithstanding the fact that a fee may be added to the cost of the property and separately stated on a billing to the customer. If after the completion of the contract or commission the licensed architect provides additional copies of the original plans or specifications, or any models or renderings of an existing structure, the architect is regarded as making a sale of such copies, models or renderings.</u>	(a)(1) Staff and industry agree on language explaining the general application of tax to transactions by licensed architects.

Application of Tax to Transactions by Architects and Others
Regulation 1506, Miscellaneous Service Enterprises
Comparison of Current and Proposed Language
Current as of February 18, 2000

Action Item	Current Regulatory Language	Regulatory Language Proposed by Staff and Industry	Summary Comments
2. Add subdivision (a)(2) Licensed Architects - "Licensed Architect"	<i>No current language. This is a new subdivision.</i>	<p><u>(2) Licensed Architect. A "licensed architect" is defined under the Business and Professions Code Chapter 3, Division 3, Section 5500 as follows:</u></p> <p><u>"As used in this chapter, architect means a person who is licensed to practice architecture in this state under the authority of this chapter."</u></p> <p><u>A licensed architect preparing or being in responsible control of plans, specifications, and instruments of service is required to affix to those plans, specifications, and instruments of service their stamp or seal which bears the licensee's name, his or her license number, the legend "Licensed Architect" and the legend "State of California," and which shall provide a means of indicating the renewal date of the license.</u></p>	<p>(a) (2) Staff and industry agree on the definition of "licensed architect" and a summary of the required use of a stamp or seal by a licensed architect.</p>
3. Add subdivision (a)(3) Licensed Architects - Architectural Perspectivists and Modelers	<i>No current language. This is a new subdivision.</i>	<p><u>(3) Architectural Perspectivists and Modelers. Architectural perspectivists do not act as "licensed architects." Architectural perspectivists are the retailers of renderings, prints and drawings they provide to architects or other consumers and tax applies to their entire charge for such items. Modelers do not act as "licensed architects." Modelers are the retailers of models they provide to architects or other consumers, and tax applies to their entire charge for such items.</u></p>	<p>(a)(3) Staff and industry agree on the explanation of the application of tax to transactions by architectural perspectivists and modelers.</p>

Application of Tax to Transactions by Architects and Others
Regulation 1506, Miscellaneous Service Enterprises
Comparison of Current and Proposed Language
Current as of February 18, 2000

Action Item	Current Regulatory Language	Regulatory Language Proposed by Staff and Industry	Summary Comments
4. Add subdivision (a)(4) - Licensed Architects	<i>No current language. This is a new subdivision.</i>	<u>(4) Licensed architects who produce renderings, prints, drawings or models pursuant to a contract that includes professional architectural services are not retailers of the renderings, prints, drawings or models they provide pursuant to that contract for architectural services. Tax does not apply to their charge for such items.</u>	(a)(4) Staff and industry agree on the explanation of the application of tax to licensed architects who produce tangible personal property pursuant to a contract that includes architectural services.
5. Technical Revisions	(a) Barbers, Beauty Shop Operators, Shoe Polishers, Launderers and Cleaners.	(a b) Barbers, Beauty Shop Operators, Shoe Polishers, Launderers and Cleaners.	To reletter current subdivision.
	(b) Circulating Libraries.	(b c) Circulating Libraries.	To reletter current subdivision.
	(c) Dentists and Dental Laboratories.	(c d) Dentists and Dental Laboratories.	To reletter current subdivision.
	(d) Gun Clubs.	(d e) Gun Clubs.	To reletter current subdivision.
	(e) Licensed Hearing Aid Dispensers.	(e f) Licensed Hearing Aid Dispensers.	To reletter current subdivision.
	(f) Summer Camps.	(f g) Summer Camps.	To reletter current subdivision.
	(g) Taxidermists.	(g h) Taxidermists.	To reletter current subdivision.

Application of Tax to Transactions by Architects and Others
Regulation 1506, Miscellaneous Service Enterprises
Comparison of Current and Proposed Language
Current as of February 18, 2000

Action Item	Current Regulatory Language	Regulatory Language Proposed by Staff and Industry	Summary Comments
	(h) Licensed Veterinarians.	(h <u>i</u>) Licensed Veterinarians.	To reletter current subdivision.
	(h) Licensed Veterinarians. (2) Application of Tax. (A) 1. operative April 1, 1996,	(h <u>i</u>) Licensed Veterinarians. (2) Application of Tax. (A) 1. e <u>O</u> perative April 1,1996 ,	To correct capitalization error.
	(h) Licensed Veterinarians. (2) Application of Tax. (A) 2. operative April 1, 1996,	(h <u>i</u>) Licensed Veterinarians. (2) Application of Tax. (A) 2. e <u>O</u> perative April 1, 1996,	To correct capitalization error.

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LS: 11-23-99, 12-31-99, 2-15-00

Regulation 1506. Miscellaneous Service Enterprises.

(a) Licensed Architects.

(1) In General. Fees paid to licensed architects for their ability to design, conceive or communicate ideas, concepts, designs, and specifications are not subject to tax. Any plans, specifications, renderings or models or other instruments of service provided by a licensed architect under a licensed architect's contract or commission are integral to the licensed architect's services and are not subject to tax. The licensed architect is the consumer of any tangible personal property, including plans, specifications, renderings or models, used or transferred in the performance of professional services notwithstanding the fact that a fee may be added to the cost of the property and separately stated on a billing to the customer. If after the completion of the contract or commission the licensed architect provides additional copies of the original plans or specifications, or any models or renderings of an existing structure, the architect is regarded as making a sale of such copies, models or renderings.

(2) Licensed Architect. A "licensed architect" is defined under the Business and Professions Code Chapter 3, Division 3, Section 5500 as follows:

"As used in this chapter, architect means a person who is licensed to practice architecture in this state under the authority of this chapter."

A licensed architect preparing or being in responsible control of plans, specifications, and instruments of service is required to affix to those plans, specifications, and instruments of service their stamp or seal which bears the licensee's name, his or her license number, the legend "Licensed Architect" and the legend "State of California," and which shall provide a means of indicating the renewal date of the license.

(3) Architectural Perspectivists and Modelers. Architectural perspectivists do not act as "licensed architects." Architectural perspectivists are the retailers of renderings, prints and drawings they provide to architects or other consumers and tax applies to their entire charge for such items. Modelers do not act as "licensed architects." Modelers are the retailers of models they provide to architects or other consumers, and tax applies to their entire charge for such items.

(4) Licensed architects who produce renderings, prints, drawings or models pursuant to a contract that includes professional architectural services are not retailers of the renderings, prints, drawings or models they provide pursuant to that contract for architectural services. Tax does not apply to their charge for such items.

(a**b**) Barbers, Beauty Shop Operators, Shoe Polishers, Launderers and Cleaners.

(1) In General. Barbers, beauty shop operators, shoe polishers, launderers and cleaners are the consumers of the supplies and other property used in performing their services, and tax applies

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LS: 11-23-99, 12-31-99, 2-15-00

Miscellaneous Service Enterprises.

with respect to the sale to them of the supplies and other property. They are retailers, however, of any such supplies or of used articles or other tangible personal property which they sell to consumers in the regular course of business, and tax applies to the gross receipts from such sales.

(2) Rentals. Launderers and cleaners are the consumers of linen supplies and similar articles, including towels, uniforms, coveralls, shop coats, dust cloths, and similar items, rented to others when an essential part of the rental contract is the furnishing of the recurring service of laundering or cleaning of the articles rented, and tax applies with respect to the sale to them of such articles.

(b~~c~~) Circulating Libraries. When circulating libraries, which are engaged in the business of renting books to others, pay tax measured by the purchase price of such books either to the person from whom the books are purchased or to the board, tax does not apply to the amount charged for the rental of such books. Such libraries are retailers of new or used books which they sell to consumers in the regular course of business, and tax applies to the gross receipts from such sales.

(e~~d~~) Dentists and Dental Laboratories. Dentists are consumers of the materials, supplies, dental laboratory products and other tangible personal property which they use in performing their services. Tax, accordingly, applies to the sale of the tangible personal property to them.

Dental laboratories are the retailers of the plates, inlays and other products which they manufacture for dentists or other consumers. Tax applies to their entire charges for such products regardless of whether a separate charge or billing is made for materials and manufacturing services.

(d~~e~~) Gun Clubs. Gun clubs are consumers, not retailers, of clay pigeons or blue rocks furnished to members or patrons in connection with trapshooting or similar sports even though the charge for the service is measured by the number of clay pigeons or blue rocks used. The tax applies with respect to the sale of such property to the clubs.

(e~~f~~) Licensed Hearing Aid Dispensers. Persons licensed as hearing aid dispensers by the Department of Consumer Affairs, Hearing Aid Dispensers Examining Committee, are consumers of hearing aids furnished or sold by them. The term "hearing aid" includes any necessary accessory or component part of the hearing aid which is fully worn on the body of the user such as cords, connector tubing, ear molds, or batteries, whether the part is sold or furnished separately or in conjunction with the hearing aid. The term also includes replacement and repair parts. Tax applies with respect to the sale of such products to licensed hearing aid dispensers.

Tax applies to the retail sale of such products by persons who are not licensed hearing aid dispensers.

(f~~g~~) Summer Camps. The tax applies to gross receipts from the sale of meals or other tangible personal property at summer camps, whether operated by municipal or private corporations, or

Regulation 1506.

LS: 11-23-99, 12-31-99, 2-15-00

Miscellaneous Service Enterprises.

other parties. When a camp qualifies as a school or educational institution, tax, with respect to meals, applies in the same manner as to schools and educational institutions. To qualify as a school or educational institution for purposes of this regulation, the camp must conduct regularly scheduled classes, with required attendance, in charge of qualified instructors.

If a single charge is made for all of the privileges extended by the camp, a segregation must be made and the tax returned on that portion of the total charge representing taxable receipts from the sale of meals or other tangible personal property. In the absence of such a segregation, the taxable receipts from the sale of meals or other tangible personal property shall be determined by the board based on information available to it.

(g~~h~~) Taxidermists. Taxidermists are consumers of the materials used in repairing, stuffing and mounting skins, heads, etc., of animals, birds, fish, and the like furnished by their customers, and tax applies with respect to the sale of such property to them. If, however, a separate charge for such property is made on the invoices to the customers at the fair retail selling price, the taxidermist is the retailer of the property and tax applies to such separate charge.

Tax applies to retail sales by taxidermists of skins, heads, mountings or other tangible personal property.

(h~~i~~) Licensed Veterinarians.

(1) Definitions. As used herein:

(A) The term "licensed veterinarian" means any person licensed as a veterinarian by the California Department of Consumer Affairs, Board of Examiners in Veterinary Medicine.

(B) The term "drugs and medicines" includes substances or preparations intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease in animals and which is commonly recognized as a substance or preparation intended for this use. The term includes legend drugs, pills and capsules (other than vitamins), liquid medications, injected drugs, ointments, vaccines, intravenous fluids, and medicated soaps if those soaps are available only to veterinarians. The term does not include vitamins, shampoos, pet foods, prescription diet foods, artificial diets, flea powders, and flea sprays.

(C) The term "professional services" includes the diagnosis and treatment of disease or trauma in animal life. It also includes the administration of drugs and medicines by means of, for example, injection, intravenous solution, or oral or bodily application.

(2) Application of Tax.

(A) Licensed veterinarians are consumers of drugs and medicines which they use or furnish in the performance of their professional services. Accordingly, tax does not apply to a licensed veterinarian's charges to clients for such drugs and medicines, whether or not separately stated.

Regulation 1506.

LS: 11-23-99, 12-31-99, 2-15-00

Miscellaneous Service Enterprises.

Licensed veterinarians are also consumers of tangible personal property, other than drugs and medicines, which they use or which they furnish to clients without a separately stated charge. Tax applies to the sales of such drugs, medicines and other items to licensed veterinarians except:

1. Operative April 1, 1996, drugs or medicines which are purchased to be administered to animal life as an additive to feed or drinking water of food animals (as defined in Regulation 1587 (18 CCR 1587), "Animal Life, Feed, Drugs and Medicines") or of non-food animals which are being held for sale in the regular course of business, and the primary purpose of the drugs or medicines is the prevention and control of disease, or

2. Operative January 1, 1997, drugs or medicines which are purchased to be administered directly (e.g., orally, by injection, or by application to the body) to food animals and the primary purpose of the drugs or medicines is the prevention or control of disease. Veterinarians remain consumers of drugs and medicines administered directly to non-food animals.

(B) Licensed veterinarians are retailers of drugs and medicines which they furnish for a consideration without performing specific related professional services. Licensed veterinarians are also retailers of tangible personal property, other than drugs and medicines, which they furnish to clients for a separately stated charge. Unless otherwise exempt, tax applies to charges made by licensed veterinarians to clients for such drugs, medicines and other items. See Regulation 1587 (18 CCR 1587), "Animal Life, Feed, Drugs and Medicines" for exemption for sales of feed, drugs, or medicines for certain animals. Tax applies to separately stated charges made for X-rays if the X-rays are delivered to clients.

Note: Authority cited: Section 7051, Revenue and Taxation Code.

Reference: Sections 6006, 6007, 6015, 6018.1, 6018.7, 6358, 6358.4 and 6363, Revenue and Taxation Code.